QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2009

ABN 16 009 661 901

ASX CODE: QAN

Table of Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2009 $M	December 2008 $M	Change $M	Change %
Sales and other income	6,909	8,068	(1,159)	(14)
Profit after tax attributable to members of Qantas	58	210	(152)	(72)

DIVIDENDS

No interim dividend will be paid in relation to the half-year ended 31 December 2009.

EXPLANATION OF RESULTS

Please refer to the accompanying Media Release for an explanation of the results.

This information should be read in conjunction with the Qantas Airways Limited 2009 Annual Report and Consolidated Interim Financial Report for the half-year ended 31 December 2009.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

OTHER INFORMATION

	December 2009 $	June 2009 $
Net tangible assets per ordinary share	2.25	2.25

Entities over which control was gained and lost during the period:

The Qantas Group incorporated the following company during the period:

QF BOC 2009-1 Pty Limited (now known as Jetstar Leasing Pty Limited) was incorporated on 10 August 2009.

The Qantas Group lost control over the following entity during the period:

Document Parcel Express Korea Ltd was voluntarily deregistered on 30 December 2009.

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2009 and the Independent Auditor's Review Report thereon.

DIRECTORS

The Directors of Qantas Airways Limited at any time during or since the end of the half-year were as follows:

Name	Period of Directorship
Leigh Clifford, AO *Chairman*	*Director since 9 August 2007 - appointed Chairman on 14 November 2007*
Alan Joyce *Chief Executive Officer*	*Director since 28 July 2008 - appointed Chief Executive Officer on 28 November 2008*
Colin Storrie *Chief Financial Officer*	*Director since 30 September 2008 - appointed Chief Financial Officer on 30 September 2008*
Peter Cosgrove, AC, MC	*Director since 6 July 2005*
Patricia Cross	*Director since 1 January 2004*
Richard Goodmanson	*Director since 19 June 2008*
Garry Hounsell	*Director since 1 January 2005*
Paul Rayner	*Director since 16 July 2008*
John Schubert	*Director since 23 October 2000*
James Strong, AO	*Director since 1 July 2006*
Barbara Ward	*Director since 19 June 2008*

REVIEW OF OPERATIONS

The Group achieved an Underlying profit before tax (Underlying PBT) of $267 million for the period ended 31 December 2009, compared to $60 million in the prior corresponding period. Including gains and losses on derivatives not pertaining to this half and other non-recurring items, the Group recorded a statutory profit before income tax expense (PBT) of $90 million for the half-year to 31 December 2009. This compares to $288 million in the prior half-year.

The current half-year can be characterised by the full impact of the economic downturn in the first quarter, with signs of recovery becoming evident by the end of the second quarter. Fuel prices and foreign exchange (FX) rates were relatively stable during the current half-year, as the Group focussed on delivering the benefits of the restructuring programs commenced in June 2009.

By comparison, the prior half-year reflected buoyant economic conditions, although the global financial crisis started to affect revenue by the end of the second quarter of 2008/09. More importantly, the prior half-year experienced significant instability in financial markets which led to jet fuel prices ranging from US$59 to US$167 per barrel, and USD/AUD FX rates ranging from 0.64 to 0.97.

The Group has benefited from the tough decisions made towards the end of the 2009 financial year, including capacity reductions and other restructuring activities.

Cost savings driven by lower activity, as well as benefits from the QFuture program, have contributed to a more than 11 per cent reduction in operating expenses (excluding fuel) on a net decline in capacity of two per cent compared to the prior half-year.

All operating segments have performed well during the current half-year. Although, Qantas and Qantas Freight recorded Underlying EBIT below the prior half-year. The results in this half reflect a significant turnaround from the second half of 2008/09, when both of these segments recorded an operating loss.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Jetstar has successfully leveraged an increase in capacity to almost triple the prior year Underlying EBIT result of $43 million. The current half-year Underlying EBIT of $121 million is also an 89 per cent improvement on the second half of 2008/09.

Qantas Frequent Flyer results include the current half-year impact of the change in accounting policy implemented on 1 January 2009, which has contributed an additional $78 million to the current half result. Excluding this impact, the current half-year result is eight per cent higher than the previous half-year, which is a pleasing achievement in the context of reduced airline capacity.

The current year statutory PBT result includes impairment losses of $48 million related to changes in estimates of the recoverable value of aircraft held for sale.

The prior year statutory PBT includes:
- a gain of $86 million on the reverse acquisition of Jetset Travelworld Group by Qantas Holidays;
- accelerated depreciation and other costs of $28 million related to the retirement of B747-300s; and
- restructuring and redundancy costs of $62 million associated with the first round of restructuring and capacity reductions in 2008/09.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Directors have received the Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001.

The Lead Auditor's Independence Declaration is set out on page 20 and forms part of the Directors' Report for the half-year ended 31 December 2009.

ROUNDING

The Qantas Group is of the kind referred to in Australian Securities Investment Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Consolidated Interim Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed pursuant to a Resolution of the Directors:

LEIGH CLIFFORD
Chairman

ALAN JOYCE
Chief Executive Officer

Sydney
18 February 2010

CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2009

	Note	December 2009 $M	December 2008 $M
Revenue			
Net passenger revenue		5,576	6,408
Net freight revenue		397	493
Other	4	936	1,167
		6,909	**8,068**
Expenditure			
Manpower and staff related		1,730	1,938
Aircraft operating variable		1,371	1,519
Fuel		1,564	2,050
Depreciation and amortisation		575	660
Ineffective and non-designated derivatives	2	95	62
Other	4	1,431	1,564
		6,766	**7,793**
Statutory profit before income tax expense and net finance (costs)/income		**143**	**275**
Finance income		74	115
Finance costs		(127)	(102)
Statutory profit before income tax expense		**90**	**288**
Income tax expense	5	(30)	(72)
Statutory profit for the period		**60**	**216**
Attributable to:			
Members of Qantas		58	210
Non-controlling interests		2	6
Earnings per share attributable to members of Qantas:			
Basic/diluted earnings per share (cents)		2.6	10.7

Non-Statutory Measure

	Note	December 2009 $M	December 2008 $M
Statutory profit before income tax expense and net finance (costs)/income		**143**	**275**
Add back:			
- Ineffectiveness and non-designated derivatives relating to other reporting periods	2	116	(219)
- Non-recurring items	3	48	4
Underlying profit before income tax expense and net finance (costs)/income (Underlying EBIT)	3	**307**	**60**
Statutory net finance (costs)/income		(53)	13
Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance (costs)/income	2	13	(34)
Underlying profit before related income tax expense		**267**	**39**

The Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2009

	December 2009 $M	December 2008 $M
Statutory profit for the period	**60**	**216**
Share based payments	10	47
Transfer from hedge reserve to Income Statement	28	(310)
Recognition of effective cash flow hedges on capitalised assets	94	(46)
Effective portion of changes in fair value of cash flow hedges	(180)	119
Foreign currency translation of controlled entities	(10)	37
Foreign currency translation of associates and jointly controlled entities	(1)	-
Hedge reserve movement of associates and jointly controlled entities	7	-
Other comprehensive income for the period	**(52)**	**(153)**
Total comprehensive income for the period	**8**	**63**
Total comprehensive income attributable to:		
Members of Qantas	6	57
Non-controlling interests	2	6
Total comprehensive income for the period	**8**	**63**

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	December 2009 $M	June 2009 $M
Current assets			
Cash and cash equivalents		3,498	3,617
Receivables		1,059	1,054
Other financial assets	7	337	561
Inventories		274	250
Current tax receivable		47	128
Assets classified as held for sale		89	26
Other		394	330
Total current assets		**5,698**	**5,966**
Non-current assets			
Receivables		435	522
Other financial assets	7	202	344
Investments accounted for using the equity method	6	404	387
Other investments		3	3
Property, plant and equipment		12,433	12,155
Intangible assets		660	664
Other		6	8
Total non-current assets		**14,143**	**14,083**
Total assets		**19,841**	**20,049**
Current liabilities			
Payables		1,767	1,833
Revenue received in advance		2,921	3,109
Interest-bearing liabilities	8	698	608
Other financial liabilities	7	490	641
Provisions		506	507
Deferred lease benefits/income		14	16
Total current liabilities		**6,396**	**6,714**
Non-current liabilities			
Revenue received in advance		1,165	1,232
Interest-bearing liabilities	8	4,934	4,895
Other financial liabilities	7	427	268
Provisions		521	533
Deferred tax liabilities		615	607
Deferred lease benefits/income		28	35
Total non-current liabilities		**7,690**	**7,570**
Total liabilities		**14,086**	**14,284**
Net assets		**5,755**	**5,765**
Equity			
Issued capital		4,729	4,729
Treasury shares		(59)	(58)
Reserves		(60)	7
Retained earnings		1,101	1,043
Equity attributable to the members of Qantas		**5,711**	**5,721**
Non-controlling interests		44	44
Total equity		**5,755**	**5,765**

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2009

$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance at 1 July 2009	4,729	(58)	52	(29)	(16)	1,043	44	5,765
Total comprehensive income for the period								
Statutory profit for the period	-	-	-	-	-	58	2	60
Other comprehensive income								
Share-based payments	-	-	10	-	-	-	-	10
Transfer from hedge reserve to Income Statement	-	-	-	28	-	-	-	28
Recognition of effective cash flow hedges on capitalised assets	-	-	-	94	-	-	-	94
Effective portion of changes in fair value of cash flow hedges	-	-	-	(180)	-	-	-	(180)
Foreign currency translation of controlled entities	-	-	-	-	(10)	-	-	(10)
Foreign currency translation of associates and jointly controlled entities	-	-	-	-	(1)	-	-	(1)
Hedge reserve movement of associates and jointly controlled entities	-	-	-	7	-	-	-	7
Total other comprehensive income	**-**	**-**	**10**	**(51)**	**(11)**	**-**	**-**	**(52)**
Total comprehensive income for the period	**-**	**-**	**10**	**(51)**	**(11)**	**58**	**2**	**8**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(16)	-	-	-	-	-	(16)
Shares vested to employees	-	15	(15)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(2)	(2)
Total contributions by and distributions to owners	**-**	**(1)**	**(15)**	**-**	**-**	**-**	**(2)**	**(18)**
Total transactions with owners	**-**	**(1)**	**(15)**	**-**	**-**	**-**	**(2)**	**(18)**
Balance at 31 December 2009	**4,729**	**(59)**	**47**	**(80)**	**(27)**	**1,101**	**44**	**5,755**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2009

$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance at 1 July 2008	3,976	(61)	53	421	(24)	1,366	4	5,735
Total comprehensive income for the period								
Statutory profit for the period	-	-	-	-	-	210	6	216
Other comprehensive income								
Share-based payments	-	-	47	-	-	-	-	47
Transfer from hedge reserve to Income Statement	-	-	-	(310)	-	-	-	(310)
Recognition of effective cash flow hedges on capitalised assets	-	-	-	(46)	-	-	-	(46)
Effective portion of changes in fair value of cash flow hedges	-	-	-	119	-	-	-	119
Foreign currency translation of controlled entities	-	-	-	-	37	-	-	37
Total other comprehensive income	-	**-**	**47**	**(237)**	**37**	**-**	**-**	**(153)**
Total comprehensive income for the period	**-**	**-**	**47**	**(237)**	**37**	**210**	**6**	**63**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(59)	-	-	-	-	-	(59)
Shares vested to employees	-	38	(36)	-	-	(2)	-	-
Dividends declared	192	-	-	-	-	(322)	-	(130)
Total contributions by and distributions to owners	**192**	**(21)**	**(36)**	**-**	**-**	**(324)**	**-**	**(189)**
Change in ownership interests in subsidiaries								
Non-controlling interest in controlled entities acquired	-	-	-	-	-	-	39	39
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	39	39
Total transactions with owners	**192**	**(21)**	**(36)**	**-**	**-**	**(324)**	**39**	**(150)**
Balance at 31 December 2008	**4,168**	**(82)**	**64**	**184**	**13**	**1,252**	**49**	**5,648**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2009	December 2009 $M	December 2008 $M
Cash flows from operating activities		
Cash receipts in the course of operations	7,091	8,156
Cash payments in the course of operations	(6,653)	(7,474)
Interest received	57	108
Interest paid	(103)	(204)
Dividends received	1	10
Income taxes refunded/(paid)	90	(218)
Net cash from operating activities	**483**	**378**
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(1,010)	(1,380)
Proceeds from disposal of property, plant and equipment	15	373
Payments for investments	(14)	-
Payments for controlled entities, net of cash acquired	-	16
Net cash used in investing activities	**(1,009)**	**(991)**
Cash flows from financing activities		
Payments for treasury shares	(16)	(59)
Proceeds from borrowings	570	1,159
Repayment of borrowings	(213)	(154)
Proceeds from sale and leaseback	62	-
Proceeds from swaps	2	39
Net receipts from aircraft security deposits	4	(1)
Dividends paid[1]	(2)	(139)
Net cash from financing activities	**407**	**845**
Net (decrease)/increase in cash and cash equivalents held	**(119)**	**232**
Cash and cash equivalents held at the beginning of the period	3,617	2,599
Cash and cash equivalents held at the end of the period	**3,498**	**2,831**

1 During the half-year nil (2008: 55 million) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled nil (2008: $192 million).

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Interim Financial Report set out on pages 10 to 19.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2009

Note 1. Statement of Significant Accounting Policies

(a) Reporting entity

Qantas Airways Limited (Qantas) is a company domiciled in Australia. The Consolidated Interim Financial Report of Qantas as at and for the half-year ended 31 December 2009 comprises Qantas and its subsidiaries (Qantas Group) and the Qantas Group's interest in associates and jointly controlled entities.

The Consolidated Annual Financial Report of the Qantas Group as at and for the year ended 30 June 2009 is available at www.qantas.com.au or upon request from the registered office of Qantas at Qantas Centre, Level 9 Building A, 203 Coward Street, Mascot NSW 2020, Australia.

(b) Statement of compliance

The Consolidated Interim Financial Report is presented in Australian dollars and is a general purpose Financial Report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The Financial Report of the Qantas Group also complies with International Accounting Standard IAS 34: *Interim Financial Reporting*.

The Consolidated Interim Financial Report does not include all of the information required for an Annual Financial Report and should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2009. This report should also be read in conjunction with any public announcements made by Qantas during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

This Consolidated Interim Financial Report was approved by the Board of Directors on 18 February 2010.

The Qantas Group is of the kind referred to in Australian Securities Investment Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Consolidated Interim Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

(c) Significant accounting policies

The accounting policies applied by the Qantas Group in this Consolidated Interim Financial Report are the same as those applied by the Qantas Group in the Consolidated Annual Financial Report for the year ended 30 June 2009.

The following standards were applied by the Qantas Group for the first time with effect from 1 July 2009:

- Revised AASB 101: *Presentation of Financial Statements (2007)* and consequential amendments in AASB 2009-6: *Amendments to Australian Accounting Standards*. A separate Consolidated Statement of Comprehensive Income has been presented in the Consolidated Interim Financial Report as a result of the adoption of this standard. The statement presented changes in equity during a period other than those changes resulting from transactions with owners.
- AASB 8: *Operating Segments* and consequential amendments in AASB 2009-5: *Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project* (which was early adopted). There are no changes resulting from the adoption of these standards except for disclosure of segment assets and liabilities.

(d) Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the Consolidated Interim Financial Report.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 1. Statement of Significant Accounting Policies (continued)

(e) Estimates

The preparation of the Consolidated Interim Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of this Consolidated Interim Financial Report, the significant judgements made by management in applying the Qantas Group's accounting policies and the key sources of uncertainty in estimates were the same as those applied to the Consolidated Annual Financial Report for the year ended 30 June 2009.

As disclosed in the Consolidated Annual Financial Report for the year ended 30 June 2009, the accounting estimates described below were revised effective 1 January 2009:

1. Qantas Frequent Flyer changed the accounting estimates of the fair value of points and breakage expectation. The net effect of the change for the half-year period ended 31 December 2009 was an increase in revenue by $76 million.

2. The Qantas Group revised the estimated useful lives of core system software from five to 10 years. The net effect of the change for the half-year period ended 31 December 2009 was a decrease in amortisation expense by $13 million.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 2. Underlying EBIT

Qantas uses derivatives exclusively to hedge underlying risks and exposures. Notwithstanding this, AASB 139: *Financial Instruments: Recognition and Measurement* requires certain mark-to-market movements in derivatives which are classified by AASB 139 as 'ineffective' to be recognised immediately in the Income Statement.

The recognition of derivative valuation movements in reporting periods which differ from the designated transaction causes volatility in statutory profit that does not reflect the underlying performance of the Group. Qantas removes this impact in Underlying EBIT to provide more useful information to the users of the financial statements and more accurately reflect the underlying performance of the Group.

All derivative transactions undertaken by Qantas represent economic hedges of underlying risk and exposures. Underlying EBIT matches and reports all hedge derivative gains and losses in the same reporting period as the underlying transaction by adjusting for derivative mark-to-market movements recognised in the current reporting period's statutory profit that relates to underlying exposures in other reporting periods.

The methodology to calculate Underlying EBIT is as follows:
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with current year exposures remains within Underlying EBIT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with underlying exposures which will occur in future reporting period are excluded from Underlying EBIT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with Capital Expenditure are excluded from Underlying EBIT. No adjustment has been made for the capitalisation of these amounts and any current or future impacts on depreciation expense, as the impact is immaterial; and
- Derivative mark-to-market movements recognised in previous reporting period's statutory profit that are associated with underlying exposures which occurred in the current year are brought in to Underlying EBIT.

In addition, Underlying EBIT excludes the impact of items identified as non-recurring. Refer to note 3 for details.

With the exception of capital expenditure, ineffectiveness which has been excluded from Underlying EBIT will be recognised through Underlying EBIT in future periods when the underlying transaction occurs.

	Note	December 2009 $M	December 2008 $M
Ineffective and non-designated derivatives – current period		14	(255)
Ineffective and non-designated derivatives – future periods		(38)	106
Ineffective and non-designated derivatives – capital expenditure		(71)	87
Total Ineffectiveness and non-designated derivatives included in statutory profit before income tax expense and net finance (costs)/income		**(95)**	**(62)**
Statutory profit before income tax expense and net finance (costs)/income		**143**	**275**
Exclude current year derivative mark-to-market movements relating to underlying exposures in future years		38	(106)
Exclude current year derivative mark-to-market movements relating to capital expenditure		71	(87)
Include prior years derivative mark-to-market movements relating to underlying exposures in the current year		7	(26)
Non-recurring items	3	48	4
Underlying EBIT		**307**	**60**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2009

Note 3. Segment Reporting

Business segments

The Qantas Group comprises the following main business segments:

1. Qantas – representing the Qantas passenger flying businesses and related businesses;
2. Jetstar – representing the Jetstar passenger flying businesses, including Jetstar Asia and an investment in Jetstar Pacific;
3. Qantas Freight – representing the air cargo and express freight businesses;
4. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program; and
5. Jetset Travelworld Group – representing the Group's investment in the Jetset Travelworld Group.

Costs associated with the centralised management and governance of the Qantas Group, together with certain items which are not allocated to business segments are reported in Corporate/Unallocated.

The primary reporting measure for the Group's business segments is Underlying EBIT, which is defined as Profit before related income tax expense and finance costs and before non-recurring items and ineffective and non-designated derivatives relating to other reporting periods.

Non-recurring items are those items which are considered necessary for separate disclosure in the Group and segment results on the basis of their non-recurring nature and materiality to the segment results.

Fuel and foreign exchange hedge gains/losses are allocated to segments based on the timing of underlying transactions. Refer to note 2 for the definition of Underlying EBIT.

Intersegment revenue has been determined on an arm's length basis or a cost plus margin basis depending on the nature of the revenue and the financial impact on the segment receiving the revenue. Ancillary and support services are allocated to segments on a cost only basis.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 3. Segment Reporting (continued)

Analysis by business segment December 2009 $M	**Qantas**	**Jetstar**	**Qantas Freight**	**Qantas Frequent Flyer**	**Jetset Travelworld Group**	**Corporate/ Unallocated**	**Eliminations**	**Consolidated**
Sales and other income								
External segment revenue	4,867	1,029	492	511	54	11	(55)	6,909
Intersegment revenue	428	102	2	36	14	7	(589)	-
Total segment revenue	**5,295**	**1,131**	**494**	**547**	**68**	**18**	**(644)**	**6,909**
Share of net (loss)/profit of associates and jointly controlled entities	(6)	(1)	8	-	-	-	-	1
Segment Underlying EBITDAR[1]	**710**	**282**	**26**	**157**	**8**	**(62)**	**14**	**1,135**
Non-cancellable operating lease rentals	(134)	(153)	(3)	-	-	-	37	(253)
Depreciation and amortisation	(516)	(8)	(6)	-	(3)	(5)	(37)	(575)
Segment Underlying EBIT	**60**	**121**	**17**	**157**	**5**	**(67)**	**14**	**307**
Ineffectiveness and non-designated derivatives relating to other reporting periods	-	-	-	-	-	(116)	-	(116)
Non-recurring items:								
- impairment losses on property, plant and equipment classified as held for sale[2]	(48)	-	-	-	-	-	-	(48)
Total non-recurring items	(48)	-	-	-	-	-	-	(48)
Segment Underlying EBIT (including non-recurring items)	**12**	**121**	**17**	**157**	**5**	**(183)**	**14**	**143**

1. Segment Underlying EBITDAR includes $76 million (Qantas Frequent Flyer $78 million and Eliminations $2 million) representing the six month impact of the change in Frequent Flyer accounting.
2. During the period, Qantas recorded impairment losses of $48 million on certain aircraft identified for sale. This amount is included in other expenditure in the Income Statement.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 3. Segment Reporting (continued)

Analysis by business segment December 2008 $M	**Qantas**	**Jetstar**	**Qantas Freight**	**Qantas Frequent Flyer**	**Jetset Travelworld Group**	**Corporate/ Unallocated**	**Eliminations**	**Consolidated**
Sales and other income								
External segment revenue	6,153	853	627	482	66	(4)	(109)	8,068
Intersegment revenue	509	105	1	-	16	7	(638)	-
Total segment revenue	**6,662**	**958**	**628**	**482**	**82**	**3**	**(747)**	**8,068**
Share of net profit/(loss) of associates and jointly controlled entities	6	(5)	4	-	-	-	-	5
Segment Underlying EBITDAR	**772**	**168**	**59**	**73**	**20**	**(216)**	**30**	**906**
Non-cancellable operating lease rentals	(123)	(118)	(3)	-	-	-	30	(214)
Depreciation and amortisation[1]	(551)	(7)	(7)	-	(3)	(34)	(30)	(632)
Segment Underlying EBIT	**98**	**43**	**49**	**73**	**17**	**(250)**	**30**	**60**
Ineffectiveness and non-designated derivatives relating to other reporting periods	-	-	-	-	-	219	-	219
Non-recurring items:								
- gain on sale of Qantas Holidays[2]	86	-	-	-	-	-	-	86
- accelerated depreciation on property, plant and equipment[1, 3]	(28)	-	-	-	-	-	-	(28)
- redundancies and restructuring[4]	-	-	-	-	-	(62)	-	(62)
Total non-recurring items	58	-	-	-	-	(62)	-	(4)
Segment Underlying EBIT (including non-recurring items)	**156**	**43**	**49**	**73**	**17**	**(93)**	**30**	**275**

1. The combination of these lines is reported as Depreciation and amortisation in the Income Statement.
2. In July 2008, the Qantas Group sold Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd in exchange for a 58 per cent ownership in the combined group. A gain of $86 million, after transaction costs, was recognised on disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd.
3. As a result of capacity reductions announced during the period, as well as the impact of the economic environment, accelerated depreciation of $28 million has been recognised against certain aircraft.
4. As part of plans to reduce capacity, the Qantas Group announced plans to restructure the business. These plans resulted in restructuring expenses of $62 million being recognised in the period.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 4. Other Revenue and Expenses

	December 2009 $M	December 2008 $M
Included in other revenue		
Tours and travel revenue	88	106
Contract work revenue	188	206
Other	660	855
	936	**1,167**
Included in other expenses		
Selling and marketing	277	380
Property	200	203
Computer and communication	212	215
Capacity hire	122	144
Other	368	413
Non-cancellable operating lease rentals	253	214
Share of net profit of associates and jointly controlled entities	(1)	(5)
	1,431	**1,564**

Note 5. Income Tax Expense

	December 2009 $M	December 2008 $M
Statutory profit before related income tax expense	90	288
Income tax using the domestic corporate tax rate of 30 per cent	27	86
Add/(less) adjustments for:		
Non-deductible expenditure		
- non-assessable gain on sale of Qantas Holidays	-	(26)
- provisions for freight cartel investigations	-	4
Other items	3	8
Income tax expense	**30**	**72**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 6. Investments Accounted for Using the Equity Method

	December 2009 $M	June 2009 $M
Investment in associated entities	83	76
Investment in jointly controlled entities:		
- Star Track Express Holdings Pty Limited	275	270
- Other	46	41
	404	**387**

Ownership interest held	December 2009 %	December 2008 %
Air Pacific Limited	46	46
Australian air Express Pty Limited	50	50
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
Harvey Holidays Pty Ltd	50	50
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd	37	37
Holiday Tours and Travel Vietnam Co. Ltd	37	37
Jetstar Pacific Airlines Aviation Joint Stock Company[1]	27	18
LTQ Engineering Pty Limited	50	50
Orangestar Investment Holdings Pte. Ltd.[2]	-	45
PT Holidays Tours & Travel	37	37
Star Track Express Holdings Pty Limited	50	50
Tour East (T.E.T) Ltd	37	37

1. The Qantas Group acquired a further nine per cent interest on 20 March 2009.
2. The Qantas Group acquired an additional four per cent interest on 8 April 2009. As a result of the transaction, the Qantas Group gained accounting control (as defined by AASB 127: *Consolidated and Separate Financial Statements*) of this entity and ceased to equity account for this entity from this date.

Note 7. Other Financial Assets and Liabilities

Other financial assets and liabilities includes derivative instruments used to hedge financial exposures. The movement is driven by changes in market variables, including foreign exchange and fuel price, as well as changes in underlying hedge positions. During the half-year ended 31 December 2009, significant fluctuations in foreign exchange rates and crude oil prices resulted in substantial changes in other financial assets and liabilities such that net Other financial assets and liabilities have increased from a net liability of $4 million at 30 June 2009 to a net liability of $378 million at 31 December 2009.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 8. Interest-bearing Liabilities

	December 2009 $M	June 2009 $M
Current		
Bank loans		
- secured	481	372
Other loans - unsecured		
- other parties	69	72
Lease and hire purchase liabilities		
- other parties	148	164
Total current interest-bearing liabilities	**698**	**608**
Non-current		
Bank loans		
- secured	2,748	2,562
- unsecured	630	629
Other loans - unsecured		
- other parties	1,109	1,235
Lease and hire purchase liabilities		
- other parties	447	469
Total non-current interest bearing liabilities	**4,934**	**4,895**

The movements in interest-bearing liabilities includes $570 million of new borrowings drawn during the half-year to 31 December 2009. Other movements in interest-bearing liabilities include the repayment and revaluation of existing borrowings. Foreign exchange revaluations of borrowings are partly offset by the revaluation of interest rate derivatives which are included in other financial assets and liabilities.

Note 9. Dividends

No dividends were paid during the half-year ended 31 December 2009 in respect of 2008/09 (2008: 17 cents fully franked or $322 million).

Note 10. Capital Expenditure Commitments

Capital expenditure commitments contracted but not provided for in the Financial Statements, payable:	December 2009 $M	June 2009 $M
Within one year	1,860	1,560
Later than one but not later than five years	9,347	10,135
Later than five years	3,329	5,095
	14,536	**16,790**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2009

Note 11. Contingent Liabilities

There have been no material changes to contingent liabilities since 30 June 2009.

Note 12. Post Balance Date Events

Subsequent to the reporting date, Qantas has reduced the upper band of aircraft residual value from 20 per cent to ten per cent. This change will be applied prospectively effective 1 January 2010. The net effect of the change for the second half of the year ended 30 June 2010 is estimated to be an increase in depreciation expense of approximately $48 million.

During the interval between 31 December 2009 and the date of this report, there has not been any event that would have had a material effect on the Consolidated Interim Financial Report as at 31 December 2009.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Martin Sheppard
Partner

Sydney

18 February 2010

DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

a) the financial statements and notes set out on pages 4 to 19, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Qantas Group as at 31 December 2009 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) there are reasonable grounds to believe that Qantas Airways Limited and its controlled entities will be able to pay their debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:

LEIGH CLIFFORD
Chairman

ALAN JOYCE
Chief Executive Officer

Sydney
18 February 2010

Independent auditor's review report to the members of Qantas Airways Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Qantas Airways Limited, which comprises the consolidated balance sheet as at 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes on pages 4 to 19 and the directors' declaration set out on page 21 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Qantas Airways Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Qantas Airways Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Martin Sheppard
Partner

Sydney

18 February 2010

OPERATIONAL STATISTICS
For the half-year ended 31 December 2009

(unaudited)		Half-year ended December 2009	Half-year ended December 2008	Percentage increase/ (decrease)
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	8,553	8,505	0.6
Revenue passenger kilometres (RPK)	m	12,392	12,402	(0.1)
Available seat kilometres (ASK)	m	14,932	15,473	(3.5)
Revenue seat factor	%	83.0	80.2	2.8 pts
QANTASLINK - SCHEDULED SERVICES				
Passengers carried	000	2,162	2,142	0.9
Revenue passenger kilometres (RPK)	m	1,499	1,553	(3.5)
Available seat kilometres (ASK)	m	2,150	2,197	(2.1)
Revenue seat factor	%	69.7	70.7	(1.0) pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	4,299	4,186	2.7
Revenue passenger kilometres (RPK)	m	4,885	4,727	3.3
Available seat kilometres (ASK)	m	5,842	5,846	(0.1)
Revenue seat factor	%	83.6	80.9	2.7 pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	3,006	3,856	(22.0)
Revenue passenger kilometres (RPK)	m	25,733	28,261	(8.9)
Available seat kilometres (ASK)	m	30,602	35,054	(12.7)
Revenue seat factor	%	84.1	80.6	3.5 pts
Revenue freight tonne kilometres (RFTK)	m	1,304	1,291	1.0
JETSTAR INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	1,972	951	107.4
Revenue passenger kilometres (RPK)	m	5,532	3,945	40.2
Available seat kilometres (ASK)	m	7,125	5,283	34.9
Revenue seat factor	%	77.6	74.7	2.9 pts
JETSTAR ASIA				
Passengers carried	000	1,046	-	N/A
Revenue passenger kilometres (RPK)	m	1,453	-	N/A
Available seat kilometres (ASK)	m	1,825	-	N/A
Revenue seat factor	%	79.6	-	N/A
QANTAS GROUP OPERATIONS				
Passengers carried	000	21,038	19,639	7.1
Revenue passenger kilometres (RPK)	m	51,494	50,889	1.2
Available seat kilometres (ASK)	m	62,476	63,853	(2.2)
Revenue seat factor	%	82.4	79.7	2.7 pts
Aircraft in service at end of period[1]	#	237	226	4.9
FINANCIAL				
Yield (passenger revenue per RPK)	c	10.28	12.08	(14.9)
EMPLOYEES				
Average full-time equivalent employees	#	32,386	34,110	(5.1)
RPK per employee	000	3,180	2,975	6.9
ASK per employee	000	3,858	3,733	3.3

1. Includes 7 aircraft that are not in operational service.

CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF NON-CANCELLABLE OPERATING LEASES

As at 31 December 2009

(unaudited)	December 2009 $M	June 2009 $M~
Balance sheet equity	5,755	5,765
Hedge reserve	(80)	(29)
Equity excluding hedge reserve	5,835	5,794
On balance sheet debt		
Current interest-bearing liabilities	698	608
Non-current interest-bearing liabilities	4,934	4,895
Cash and cash equivalents[1]	(3,533)	(3,658)
Fair value of hedges relating to debt[2]	254	78
Net on balance sheet debt	2,353	1,923
Off balance sheet debt		
Non-cancellable operating leases[3]	3,801	3,773
Net debt including off balance sheet debt	6,154	5,696
Revaluation of foreign currency debt[4]	99	(297)
Net debt including off balance sheet debt adjusted for revaluation	6,253	5,399
Net debt to net debt and equity	29 : 71	25 : 75
Net debt to net debt and equity (including off balance sheet debt excluding hedge reserve)	51 : 49	50 : 50
Net debt to net debt and equity (including off balance sheet debt adjusted for revaluation excluding hedge reserve)	52 : 48	48 : 52

~ Comparatives have been restated to include the impact of Jetstar Asia Group operating leases.

Notes

1. Cash and cash equivalents includes short term investments, discounted securities and aircraft security deposits.
2. Fair value of hedges related to debt are included in Other Financial Assets and Liabilities on the Balance Sheet in accordance with AASB 139: *Financial Instruments: Recognition and Measurement.*
3. Non-cancellable operating leases is a representation assuming assets are owned and debt funded and is not consistent with the disclosure requirements of AASB 117: *Leases*.
4. Revaluation of foreign currency borrowings. These borrowings will be repaid by future surplus foreign currency revenue.

ADJUSTED NET BORROWING COSTS (unaudited)	December 2009 $M	December 2008 $M
Borrowing costs		
Net borrowing costs/(revenue)	53	(13)
Unwind of discount on non-current provisions	(20)	(18)
Unwind of discount on non-current receivables	10	19
Capitalised interest	26	45
Interest on non-cancellable operating leases	155	166
Adjusted net borrowing costs	**224**	**199**
Average net debt		
Average net debt including off balance sheet debt	5,835	5,547
Adjusted net borrowing costs as a percentage of:		
Average net debt including off balance sheet debt	7.7%	7.2%